

American Lung Association of the
Plains - Gulf Region, Inc.

Financial Statements

June 30, 2013
(with comparative totals for 2012)

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Plains - Gulf Region, Inc.

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(with comparative totals for 2012)

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ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

Independent Auditor's Report

To the Board of Directors
American Lung Association of the Plains - Gulf Region, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements American Lung Association of the Plains - Gulf Region, Inc.'s (the Association) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and net assets, cash flows and the related notes to the financial statements for the year then ended. The prior year summarized comparative information has been derived from American Lung Association of the Plains - Gulf Region, Inc.'s 2012 financial statements on which we expressed an unqualified opinion dated August 24, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of the Plains - Gulf Region, Inc., as of June 30, 2013, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

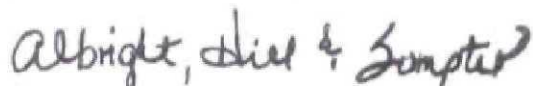
Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013, on our consideration of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting and compliance.

Albright, Hill & Sumpter, PC
Certified Public Accountants



September 10, 2013

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Financial Position
June 30, 2013
(with comparative totals for 2012)

Assets

	2013 Totals	2012 Comparative Totals
Current assets		
Cash and cash equivalents	\$ 730,552	\$ 2,320,983
Accounts receivable	692,011	604,115
Pledges receivable	-	-
Prepaid expenses/inventories	184,006	158,374
Total current assets	<u>1,606,569</u>	<u>3,083,472</u>
Investments	4,610,529	4,664,853
Property and equipment, net	2,647,849	2,340,322
Prepaid pension costs	-	54,147
Long-term split-interest agreements	13,872	32,837
Beneficial interest in perpetual trusts	<u>1,070,404</u>	<u>939,640</u>
Total assets	<u><u>\$ 9,949,223</u></u>	<u><u>\$11,115,271</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 389,631	\$ 242,154
Accrued liabilities	319,636	333,711
Grant advances	424,206	235,254
Payable to National Office	95,280	151,683
Unearned revenue	-	25,000
Total current liabilities	<u>1,228,753</u>	<u>987,802</u>
Unfunded accumulated pension benefit obligation	57,000	296,000
Liabilities related to split-interest agreements	<u>74,177</u>	<u>79,407</u>
Total liabilities	<u><u>1,359,930</u></u>	<u><u>1,363,209</u></u>
Net assets		
Unrestricted	5,257,164	6,545,152
Temporarily restricted	1,396,635	1,402,180
Permanently restricted	<u>1,935,494</u>	<u>1,804,730</u>
Total net assets	<u><u>8,589,293</u></u>	<u><u>9,752,062</u></u>
Total liabilities and net assets	<u><u>\$ 9,949,223</u></u>	<u><u>\$11,115,271</u></u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.

Statement of Activities For the year ended June 30, 2013 (with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Totals	2012 Comparative Totals
Public support and revenue					
Direct mail	\$2,986,226	\$ -	\$ -	\$2,986,226	\$3,226,832
Promotions	20,144	-	-	20,144	46,332
Special events, net of direct expenses of \$301,258	1,402,111	-	-	1,402,111	1,322,796
Other contributions					
Workplace giving	590,843	-	-	590,843	598,296
Memorials	249,028	-	-	249,028	205,618
Bequests	335,790	-	-	335,790	870,438
Trust income	76,530	-	-	76,530	70,045
Individual gifts	191,901	-	-	191,901	225,800
Corporate gifts	134,384	-	-	134,384	193,317
Foundation gifts	136,140	-	-	136,140	127,960
Noncash contributions	327,297	-	-	327,297	90,180
Revenue					
Corporate grants	20,083	-	-	20,083	150,000
Foundation grants	442,478	-	-	442,478	583,613
Grants from other nonprofits	405,991	-	-	405,991	-
Government grants	981,435	-	-	981,435	1,794,822
ALA grants	204,133	-	-	204,133	15,966
Interest and dividend income	101,984	47,695	-	149,679	170,726
Program service fees	358,945	-	-	358,945	480,543
Royalties and rental income	7,827	-	-	7,827	7,679
Other	85,875	-	-	85,875	9,753
Net assets released from restrictions	160,787	(160,787)	-	-	-
Total public support and revenue	9,219,932	(113,092)	-	9,106,840	10,190,716

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.

Statement of Activities For the year ended June 30, 2013 (with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Totals	2012 Comparative Totals
Expenses					
Program services					
Asthma	1,966,370	-	-	1,966,370	1,567,292
Community health	255,422	-	-	255,422	171,521
Environmental health	1,035,134	-	-	1,035,134	1,169,404
Tobacco control	3,810,023	-	-	3,810,023	4,629,437
Other lung disease	520,130	-	-	520,130	656,701
Research	475,733	-	-	475,733	453,543
Total program services	8,062,812	-	-	8,062,812	8,647,898
Supporting activities					
Fund raising	1,961,489	-	-	1,961,489	2,389,058
Management and general	701,393	-	-	701,393	683,342
Total supporting activities	2,662,882	-	-	2,662,882	3,072,400
Total expenses	10,725,694	-	-	10,725,694	11,720,298
Changes in net assets from operations	(1,505,762)	(113,092)	-	(1,618,854)	(1,529,582)
Non-operating activities					
Realized gain on investment	100,656	16,799	-	117,455	196,675
Unrealized (loss) gain on investments	128,156	90,748	-	218,904	(385,468)
Other gain	2,695	-	-	2,695	(498,995)
Change in value of perpetual trusts and split- interest agreements	(13,733)	-	130,764	117,031	222,501
Sale of assets	-	-	-	-	-
Total change in net assets	(1,287,988)	(5,545)	130,764	(1,162,769)	(1,994,869)
Net assets, beginning of year	6,545,152	1,402,180	1,804,730	9,752,062	11,746,931
Net assets, end of year	<u>\$5,257,164</u>	<u>\$1,396,635</u>	<u>\$1,935,494</u>	<u>\$8,589,293</u>	<u>\$9,752,062</u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.

Statement of Cash Flows For the year ended June 30, 2013 (with comparative totals for 2012)

	2013 Totals	2012 Comparative Totals
Cash flows from operating activities		
Change in net assets	\$ (1,162,769)	\$ (1,994,869)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation	117,114	115,200
Donated real estate	(325,000)	-
Realized (gain) on sale of investments	(117,455)	(196,675)
Unrealized (gain) loss on investments	(218,904)	385,468
(Increase) decrease in accounts and pledges receivable	(87,896)	691,664
(Increase) in prepaid expenses and inventories	(25,632)	(53,343)
Decrease in prepaid pension expenses	54,147	386,866
Decrease in long-term split-interest assets	18,965	16,591
(Increase) in beneficial interest in perpetual trusts	(130,764)	(219,981)
(Decrease) in payable to National Office	(56,403)	(172,826)
Increase in accounts payable	147,477	12,735
Increase (decrease) increase in grant advances	188,952	(45,784)
(Decrease) in accrued liabilities	(14,075)	(177,534)
(Decrease) increase in unearned revenue	(25,000)	25,000
(Decrease) increase in unfunded accumulated pension benefit obligation	(239,000)	158,673
(Decrease) in split-interest liability	(5,230)	(16,653)
Net cash (used in) operating activities	<u>(1,881,473)</u>	<u>(1,085,468)</u>
Cash flows from investing activities		
Sale of investments	4,368,399	2,271,731
Purchases of investments	(3,977,715)	-
Purchase of property and equipment	(99,642)	(68,163)
Net cash provided by investing activities	<u>291,042</u>	<u>2,203,568</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash	(1,590,431)	1,118,100
Beginning cash	2,320,983	1,202,883
Ending cash	<u><u>\$ 730,552</u></u>	<u><u>\$ 2,320,983</u></u>
Supplemental information:		
Interest paid	<u>\$ -</u>	<u>\$ 63</u>
Noncash donations	<u>\$ 327,797</u>	<u>\$ 90,180</u>

The accompanying notes are an integral part of this statement.

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American Lung Association of the Plains - Gulf Region, Inc.
Statement of Functional Expenses
For the year ended June 30, 2013
(with comparative totals for 2012)

	Asthma	Community Health	Environmental Health	Other Lung Disease
Personnel expenses	\$ 810,374	\$ 164,834	\$ 252,962	\$ 186,318
Program expenses	266,781	189	224,974	118,276
Professional fees	63,568	6,229	113,062	14,892
Supplies	21,541	446	684	2,335
Telecommunications	31,210	9,246	9,648	7,106
Postage and shipping	148,066	10,278	93,336	25,380
Occupancy	112,773	22,939	35,203	25,928
Repairs and maintenance	12,518	2,546	3,907	2,878
Travel and conferences	44,932	3,824	8,522	17,657
Printing and publications	266,690	17,447	165,951	41,677
Dues and subscriptions	1,736	353	2,272	399
Depreciation	25,188	5,123	7,863	5,791
Service fees	1,315	222	340	1,366
Staff development	168	-	-	-
Volunteer development	-	25	-	-
Bad debt expense	7,135	-	-	-
Miscellaneous	-	-	-	-
Support to National Research	-	-	-	-
Total operating expenses	<u>1,813,995</u>	<u>243,701</u>	<u>918,724</u>	<u>450,003</u>
Payment to National Office	<u>152,375</u>	<u>11,721</u>	<u>116,410</u>	<u>70,127</u>
Total expenses	<u><u>\$ 1,966,370</u></u>	<u><u>\$ 255,422</u></u>	<u><u>\$ 1,035,134</u></u>	<u><u>\$ 520,130</u></u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Functional Expenses
For the year ended June 30, 2013
(with comparative totals for 2012)

Tobacco Control	Research	Fund Raising	Management and General	2013 Totals	2012 Comparative Totals
\$ 1,358,981	\$ -	\$ 811,117	\$ 286,697	\$ 3,871,283	\$ 4,403,743
580,861	-	-	-	1,191,081	1,103,252
156,705	-	191,825	30,953	577,234	738,305
15,952	-	7,353	21,670	69,981	63,438
57,175	-	24,004	19,876	158,265	163,439
264,231	-	243,388	52,395	837,074	1,016,718
189,118	-	87,391	53,223	526,575	621,054
21,908	-	9,662	6,051	59,470	73,493
149,862	-	53,727	53,098	331,622	413,169
483,572	-	427,801	98,958	1,502,096	1,677,557
6,758	-	3,112	4,340	18,970	10,531
42,240	-	19,519	11,390	117,114	115,200
3,680	-	52,479	503	59,905	53,901
400	-	-	1,034	1,602	1,096
-	-	57	229	311	1,004
17,748	-	-	-	24,883	6,733
-	-	-	868	868	18,300
-	375,552	-	-	375,552	341,986
3,349,191	375,552	1,931,435	641,285	9,723,886	10,822,919
460,832	100,181	30,054	60,108	1,001,808	897,379
<u>\$ 3,810,023</u>	<u>\$ 475,733</u>	<u>\$ 1,961,489</u>	<u>\$ 701,393</u>	<u>\$ 10,725,694</u>	<u>\$ 11,720,298</u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of American Lung Association of the Plains - Gulf Region, Inc.'s (the Association) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature and Purpose of the Association

American Lung Association of the Plains - Gulf Region, Inc. is a non-profit, charitable organization committed to fighting lung disease, a leading cause of preventable death and disability, and promoting lung health through education, advocacy, research and community programs for all residents of the central region including: Alabama, Arkansas, Kansas, Louisiana, Texas, Oklahoma, Mississippi, Missouri and Nebraska. The majority of the Association's income is derived from contributions from the general public.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Association is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Association reports information regarding its financial activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets represent resources that are not subject to donor imposed restrictions. Unrestricted net assets result from operating revenue, unrestricted contributions, unrestricted dividend and interest income, less expenses incurred in operations, and are used to raise contributions and for administrative functions. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

Temporarily restricted net assets – Temporarily restricted net assets represent resources which are temporarily restricted by donor-imposed limitations. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets represent resources which are permanently restricted by the donor(s). Generally, the donor(s) of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. This information does not include sufficient detail to constitute a complete presentation in conformity with GAAP. Accordingly, the prior year information should be read in conjunction with the audited financial statements for the year ended June 30, 2012 from which the summarized information was derived.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions primarily relate to valuation of investments and receivables, the lives used to depreciate fixed assets, defined benefit pension obligations and the allocation of functional expenses. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Statement of Cash Flows

The Statement of Cash Flows is presented using the indirect method. For the purpose of this statement, the Association considers all cash on hand, cash in checking accounts, money market accounts and investments with maturities at acquisition of three months or less as cash and cash equivalents.

Investments

Investments are carried at estimated fair value. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition to proceeds at the time of disposal, or estimated fair value at the date of the

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

Statement of Financial Position, and are reported in the Statement of Activities. The Association has an investment policy that sets guidelines and constraints to ensure that the portfolio is appropriately diversified.

Receivables

The reserve method is used in accounting for bad debts. The allowance for bad debts is evaluated quarterly, primarily by reviewing accounts greater than 90 days old, and the allowance is adjusted as deemed necessary based on experience. An account is deemed to be a bad debt when collection by internal collection efforts is determined to be unlikely. Management considers all receivables at June 30, 2013 to be collectable.

Property and Equipment

Property and equipment are stated at cost or at the estimated fair value at the date of donation, in the case of donated assets. Purchases under \$1,000 and the cost of repair and maintenance are expensed as incurred.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets. Lives used in computing depreciation by asset category are as follows:

Category	Lives
Buildings	40 years
Building improvements	10-15 years
Automobiles	4-5 years
Office equipment, furniture and fixtures	3-12 years

Long-lived assets, such as property and equipment, are reviewed for impairment when impairment is indicated. Impairment is based on a comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets carrying amounts are adjusted to estimated fair value. There were no such adjustments during the year ended June 30, 2013.

Grant Advances

The Association receives grants which are distributed through advance payments. Grant revenue is recorded at the time the expenses are incurred. Any funds that are received prior to the work being performed are recorded as grant advances. If not used for the specific purposes, these funds are required to be returned to the grantor.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

Revenue Recognition

The Association accounts for contributions in accordance with Financial Accounting Standards Board (FASB) ASC 958. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If the restriction is met or expires in the same year the contribution is received, the amount is classified as unrestricted.

Donated materials and services are recorded at estimated fair value at the date of donation. For the year ended June 30, 2013, \$2,297 of donated materials, services and \$325,000 for land has been included in public support in the financial statements.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

The Association is exempt from state margin taxes. Accordingly, no provision for state margin tax has been recorded in the accompanying financial statements.

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service activity are allocated directly according to their natural classification. Other expenses, that are common to several functions, are allocated by management's estimate of resources devoted to the program or supporting service activity.

NOTE 2 – INVESTMENTS

Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements*, establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted fair prices in

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

*U.S. Government
Obligations:*

Valued using quoted prices for investments with similar yields.

Equity Securities:

Quoted market prices.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

Mutual Funds: Valued at the net asset value (NAV) per unit at year end.

Debt Securities: Valued using quoted prices for investments with similar yields and bond ratings.

The methods described above may produce fair value estimates that may not be indicative of net realizable value or reflective of future estimated fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's investments at estimated fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ -	\$ 82,004	\$ -	\$ 82,004
Equity securities	1,661,905	-	-	1,661,905
Debt securities	-	594,561	-	594,561
Mutual funds	-	2,272,059	-	2,272,059
Total	<u>\$1,661,905</u>	<u>\$2,948,624</u>	<u>\$ -</u>	<u>\$4,610,529</u>

Investment income at June 30, 2013 included the following:

Interest and dividends	\$ 149,679
Realized gain	117,455
Unrealized (loss)	218,904
Total	<u>\$ 486,038</u>

NOTE 3 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Association is a beneficiary of two perpetual trusts, whereby the Association has the irrevocable right to receive a portion of the income earned on the trusts' assets in perpetuity. The estimated values of these interests have been recorded in the Statement of Financial Position at the estimated fair value of the Association's interest in the trusts' assets. Cash receipts are recorded as income when received.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment by major class are as follows:

Land	\$ 716,331
Building and improvements	2,466,402
Furniture and equipment	1,501,999
Automobile	86,191
Other	1,500
	<u>4,772,423</u>
Less: accumulated depreciation	<u>(2,124,574)</u>
Total	<u><u>\$2,647,849</u></u>

Depreciation expense for the year ended June 30, 2013 was \$117,114.

NOTE 5 – RELATED PARTIES

As a constituent of the National American Lung Association (National) for 2013, the Association has entered into an agreement which provides for sharing of certain support revenues based on the proportionate cost of the National American Lung Association's budget and 30% of net revenue from direct mail. Shared revenue and support paid to National approximated \$1,277,000 for the year ended June 30, 2013. The Association also paid to National shared costs of direct mail of approximately \$2,200,000 for the year ended June 30, 2013. In addition, the Association received grants from National approximating \$72,000 for the year ended June 30, 2013.

As of June 30, 2013, the receivable from National was \$108,657 payable to National was \$95,280.

NOTE 6 – RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 consisted of the following:

James Griffith Endowment	\$ 93,646
Research fund	1,298,292
Camp SuperKids	4,697
Total temporarily restricted net assets	<u><u>\$ 1,396,635</u></u>

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

Permanently restricted net assets as of June 30, 2013 consisted of the following:

Hughes Memorial Fund	\$ 31,466
Camp SuperKids	15,680
James Griffth Endowment	50,677
Research fund	767,267
Beneficial interest in perpetual trusts	<u>1,070,404</u>
Total permanently restricted net assets	<u><u>\$ 1,935,494</u></u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Association occasionally has amounts on deposit at financial institutions that exceed the FDIC insurance limit. The Association believes there is no significant risk with respect to these deposits.

In the normal course of business the Association leases office space and various office equipment. The Association receives free rent for certain periods. The Association amortizes these rents over the life of the lease. As of June 30, 2013, the unamortized liability was \$22,258.

Future minimum rents for the fiscal years ending June 30, are as follows:

Year	Amount
2014	\$ 318,593
2015	79,581
2016	<u>3,458</u>
Total	<u><u>\$ 401,632</u></u>

Total occupancy and rental expenses were \$526,575 for the year ended June 30, 2013.

NOTE 8 – UNITED WAY JOINT CAMPAIGN

The Association has contracted with the United Way of Greater St. Louis, Oklahoma City and Tulsa (United Way) to conduct an annual campaign named "Joint Campaign in Business and Industry" (the Campaign). The agreements call for the United Way to act as the primary fund raising agent with business and industry on behalf of the Association. Workplace giving of \$590,843 is related to the Campaign for the year ended June 30, 2013.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

NOTE 9 – DEFINED CONTRIBUTION RETIREMENT PLAN

The Association has a defined contribution pension plan under Internal Revenue Code Section 403(b) that covers substantially all of its employees. Employees may contribute a percentage of their salary to the plan, subject to certain limitations imposed by the Internal Revenue Code. The Association matches these contributions upon six months of service. Matching contributions of \$52,994 were included in the Statement of Activities for the year ended June 30, 2013.

NOTE 10 – DEFINED BENEFIT RETIREMENT PLAN

The Association had three noncontributory defined benefit plans for employees in Alabama, Louisiana and Mississippi who have been employed for one year and have attained the age of 21. As of June 30, 2010, the board of American Lung Association of the Mid-South voted to freeze all assets and benefits of this plan. As of June 30, 2011, these three plans were merged into one plan.

The plan was terminated as of June 30, 2013 and final asset distribution occurred July 12, 2013. Final required funding of \$57,000 has been accrued as of June 30, 2013 and was paid August 30, 2013.

NOTE 11 – ALLOCATION OF JOINT COSTS

Joint costs are the costs of conducting joint activities that are not identifiable with a particular component of the activity. The Association incurred joint costs for the distribution of informational materials in the direct mail campaign. Of these costs, \$1,429,969 was allocated to program services and \$769,983 was allocated to supporting services.

NOTE 12 – GIFT ANNUITIES

The Association administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Association's use. The portion of the trust attributable to the present value of the future benefits to be received by the Association is recorded in the Statement of Activities as temporarily restricted contributions in the period the trust is established. Such contributions totaled \$0 in 2013. Assets held in the charitable remainder trusts totaled \$13,872 as of June 30, 2013 and were reported at estimated fair value in the Association's Statement of Financial Position. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments was \$74,177 as of June 30, 2013. The present value is calculated using a discount rate of 3% and applicable mortality tables.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2013

NOTE 13 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Association files an annual federal income tax return. With few exceptions, the Association is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010.

The Association has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. There were no unrecognized tax benefits as of June 30, 2013.

The Association recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. There were no such interest and penalties for 2013.

NOTE 14 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 15 – UNCERTAINTY

The Association has experienced significant operating losses for the last two years.

The American Lung Association (ALA), with whom the American Lung Association of the Plains-Gulf Region (ALAPGR) operates under an annual charter agreement has convened a work-group to review ALAPGR's 2014 budget and make recommendations for changes, some of which could be significant, if any, to the ALA national board in September 2013.

The resulting impact to ALAPGR from these recommendations is yet unknown.

NOTE 16 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2013 through the issue date of the financial statements, September 10, 2013. Based on this review, no events have occurred requiring disclosure.

American Lung Association of the Plains - Gulf Region, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>ARRA Funds Included in Total</u>
<u>U.S. Department of Health & Human Services</u>			
Passed-through Mississippi State Department of Health Asthma Coalition of Mississippi	93.070	\$ 102,555	\$ -
Passed-through Oklahoma State Department of Health Asthma Initiative	93.070	6,704	-
Passed-through Oklahoma City County Health Tobacco Free Coordinator	93.531	51,131	-
Passed-through Texas Department of State Health Services Healthy Indoor Environments - TX DHHS	93.283	19,624	-
Passed-through St. of LA Department of Health and Hospitals Tuberculosis Program	93.116	85,200	-
Tuberculosis Program	93.283	23,173	-
Passed-through St. Louis County Communities Putting Partners to Work St. Louis	94.019	39,152	-
<u>Environmental Protection Agency</u>			
Healthy Indoor Environments	66.034	15,609	-
<u>U.S. Department of Transportation - Missouri Highway & Transportation Commission</u>			
Passed-through DOT Highway Planning and Construction - Missouri Highway and Transportation Commission Congestion Mitigation and Air Quality Agreement Voluntary Ozone Reduction St. Louis	20.205	308,628	308,628
Total		<u>\$ 651,776</u>	<u>\$ 308,628</u>

The accompanying notes are an integral part of this schedule.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Independent Auditor's Report

To the Board of Directors

American Lung Association of the Plains - Gulf Region, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of American Lung Association of the Plains - Gulf Region, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statement of activities and net assets, cash flows and the related notes to the financial statements for the year the ended, and have issued our report thereon dated September 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of American Lung Association of the Plains - Gulf Region, Inc.'s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
American Lung Association of the Plains – Gulf Region, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

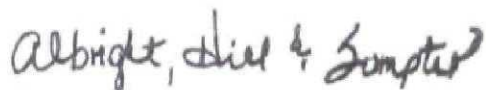
Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Lung Association of the Plains - Gulf Region, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not, to provide an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Lung Association of the Plains - Gulf Region, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose for the information and use of management, the Board of Directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants

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September 10, 2013



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A - 133

Independent Auditor's Report

To the Board of Directors
American Lung Association of the Plains - Gulf Region, Inc.

Report on Compliance for Each Major Federal Program

We have audited American Lung Association of the Plains - Gulf Region, Inc.'s. compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and State of Texas Single Audit Circular (STSAC) that could have a direct and material effect on each of American Lung Association of the Plains - Gulf Region, Inc.'s. major federal programs for the year ended June 30, 2013. American Lung Association of the Plains - Gulf Region, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of American Lung Association of the Plains - Gulf Region, Inc.'s. major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and STSAC. Those standards, and OMB Circular A-133 and STSAC, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American Lung Association of the Plains - Gulf Region, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

To the Board of Directors
American Lung Association of the Plains – Gulf Region, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of American Lung Association of the Plains - Gulf Region, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, American Lung Association of the Plains - Gulf Region, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of American Lung Association of the Plains - Gulf Region, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered American Lung Association of the Plains - Gulf Region, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal over compliance, yet important enough to merit attention by those charged with governance.

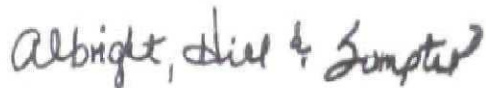
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
American Lung Association of the Plains – Gulf Region, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended for the information and use of management, the Board of Directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in dark ink that reads "Albright, Hill & Sumpter". The signature is written in a cursive, flowing style.

September 10, 2013

American Lung Association of the Plains - Gulf Region, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2013

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA #20.205
Voluntary Ozone Reduction St. Louis

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

There were no findings related to the financial statements required to be reported under generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings related to the federal awards expended required to be reported under generally accepted government auditing standards.